

U.S. Negotiating Proposal to the WTO Seeks Far-Reaching Agricultural Trade Reform

By Linda Habenstreit

On June 30, 2000, the United States presented its negotiating proposal for agriculture at a special session of the World Trade Organization's (WTO) Committee on Agriculture in Geneva, Switzerland. To learn more about the U.S. proposal, AgExporter talked to Patricia Sheikh, Deputy Administrator for International Trade Policy in USDA's Foreign Agricultural Service. This is what she told us.

AgExporter: Why did we submit a U.S. proposal?

Sheikh: We want to continue the agricultural reform process called for in the Uruguay Round. The United States will benefit economically from a more open, transparent and rules-based agricultural trade system.

The Uruguay Round was the first real attempt to bring agriculture into the world trading system. We still have a long way to go and much unfinished business to complete. We know we are not going to change agricultural trade over night, but it is in the best interests of American agriculture to continue the reform process.

Before we put this proposal on the table, however, we made sure that all groups with a stake in U.S. agricultural trade agreed with our approach. So we held listening sessions around the country to talk to farmers, ranchers, commodity groups, and others

about their interests and concerns. We also consulted with members of Congress and our Agricultural Trade Advisory Committee and Agricultural Policy Advisory Committee to get their input on the proposal.

AgExporter: What are the key points of the proposal? What do we hope to achieve?

Sheikh: Our proposal is bold and comprehensive. It moves us beyond the Uruguay Round to accelerate world agricultural trade reform and create a level playing field for farmers and ranchers worldwide. The proposal provides the framework for reform in the key areas of market access, export competition and domestic support. Each of these areas is integral to an effective and meaningful trade reform package.

U.S. objectives include:

- reducing tariffs and increasing tariff-rate quota quantities;
- eliminating export subsidies;
- capping and simplifying domestic support;
- ending the monopoly privileges of import and export state-trading enterprises;
- increasing the reliability of the global food supply;
- providing special and differential treatment to developing countries; and
- allowing WTO members to engage in specific sectoral negotiations with one another.

AgExporter: How does the U.S. proposal deal with domestic farm programs?

Sheikh: Our proposal is innovative. It eliminates the green, amber and blue box system of classifying the domestic support that a country provides its farmers. In its place are two simple categories: exempt or non-exempt. If the support is exempt, it is

not considered trade distorting and is not subject to limits. If the support is non-exempt, it is trade distorting and would be capped.

The proposal calls for countries to agree to a common, domestic support limit based on a fixed proportion of the total value of their agricultural production. Over a specific period of time, each country would be required to make equal annual cuts based on that limit. This process would correct the kind of disparities that occurred under the Uruguay Round, which mandated uniform cuts by all countries but still allowed those who started at a higher level to retain their advantage.

Our proposal also addresses market access issues related to the products of new technology, including biotechnology. We think that the product approval process should be clear, predictable and based on sound science, not on fear or unsubstantiated claims.

AgExporter: Does this proposal cover all agricultural commodities?

Sheikh: Yes it does. To put forth a credible proposal, the United States must put everything on the table. If we had excluded specific commodities from the proposal, then other WTO members could have done the same. You can picture how negotiations could quickly go down hill in a case like that.

AgExporter: Will this proposal limit flexibility in developing new U.S. farm legislation?

Sheikh: No. To the contrary, we think it will give the Congress more flexibility. With only two categories of domestic support—exempt and non-exempt—Congress can design programs that fit into either category. The proposal will give voice to new

issues that do not fit into the old framework; for example, using agricultural commodities to create new technologies, like biomass. This was not an issue in the Uruguay Round, but it is now. This proposal will give governments the flexibility to classify sustainable agriculture and resource conservation programs under the exempt support category.

AgExporter: Will this proposal benefit U.S. agriculture?

Sheikh: We think it will. As we traveled around the country, farmers, ranchers, trade associations and commodity groups told us that other countries' import barriers, like high tariffs, and trade-distorting programs, like export subsidies and domestic supports, were hurting their ability to compete in the global marketplace. This proposal will help us reduce disparities so our agricultural products have a better chance of penetrating new markets and holding on to existing ones.

AgExporter: This proposal addresses the needs of developing countries. How does it do that?

Sheikh: First of all, developing and least developed countries represent more than 70 percent of the WTO's membership. Since the WTO makes decisions by consensus, it behooves us to more thoroughly consider the needs of developing countries in this negotiation. Another equally important reason is that we want to see these countries become more fully integrated into the WTO process. We want to have meaningful discussions with them rather than appear to dictate what they should be doing. We want a full and open dialog.

For example, in 1999 a group of 11 developing countries submitted a paper



describing their needs for domestic support. It conveyed a perception that was quite different from our proposal on domestic support. Since then, we have been talking with these countries to see if we can reach some common understanding as to how to address their needs. We want to work together to accommodate their interests as well as our own.

Of course, we continue to give targeted technical assistance on a bilateral basis to help developing countries integrate into the world economy. U.S. officials have traveled to developing countries or government officials from these countries have come

here to discuss various concerns, like sanitary/phytosanitary measures or the workings of the WTO.

We are also concerned that least-developed countries are not well represented in the global marketplace. They need equal access to the world trading system and we want to make sure they have a say in how they do it.

AgExporter: How is this proposal different from the Seattle Ministerial proposal?

Sheikh: The structure of our current proposal is very much in line with our Se-

attle proposal, but it goes further. It proposes two categories of domestic support instead of the current three. It further refines market access and domestic support by dealing with the whole issue of disparities. It requests special consideration for least developed and developing countries to make sure that any agreement we reach appropriately addresses their circumstances.

AgExporter: How did it benefit the United States to submit its proposal to the WTO Committee on Agriculture last June?

Sheikh: Ours was the first comprehen-

Deciphering Trade Jargon

The following glossary is a brief guide to some of the agricultural trade terms and concepts used in this interview.

Agricultural Trade Advisory Committee and Agricultural Policy Advisory Committee. These Committees, established in 1974 by Congress, ensure that U.S. trade policy and trade negotiation objectives adequately reflect U.S. commercial and economic interests. Members come from the private sector and must be recognized leaders in their field. The committees provide the Secretary of Agriculture and the U.S. Trade Representative with information and advice on negotiating objectives, bargaining positions and other matters related to the development, implementation and administration of U.S. agricultural trade policy.

Boxes.

- **Amber box policies.** Describes the domestic support policies presumed to have the greatest potential effects on production and trade. Examples of these policies in the United States include market price supports, marketing loans and deficiency payments and storage payments.
- **Blue box policies.** Exempts from reduction commitments payments from production-

limiting programs, such as diversion payments on set-aside land.

- **Green box policies.** Describes domestic support policies that are not subject to reduction commitments under the Uruguay Round Agreement on Agriculture (URAA). These policies are assumed to affect trade minimally, and include policies related to such activities as research, extension, food security stocks, disaster payments, the environment and structural adjustment programs.

Built-in agenda. Under the URAA, negotiations on further reform in agriculture and services were mandated to begin by 2000 even without the start of a new round of trade talks.

Cairns Group. An informal association of 15 agricultural exporting countries, formed in 1986 at Cairns, Australia. Members are Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

Export subsidies. Special incentives, such as cash payments, extended by governments to encourage increased foreign sales; often used

when a nation's domestic price for a good is artificially raised above world market prices.

Market access. The extent to which a country permits imports. A variety of tariff and non-tariff trade barriers can be used to limit the entry of foreign products.

Sanitary and phytosanitary (SPS) measures. Technical barriers designed for the protection of human health or the control of animal and plant pests and diseases. Under the URAA on the Application of Sanitary and Phytosanitary (SPS) Measures, WTO member countries agreed to base any SPS measures on an assessment of risks posed by the import question and to use scientific methods in assessing the risk.

Seattle Ministerial. The third ministerial of the WTO held in Seattle, Washington, from Nov. 30-Dec. 3, 1999. It was hoped that a new round of trade negotiations would be launched at this ministerial, but trade ministers from WTO member countries could not reach consensus on issues to be addressed and the talks were suspended. However work on agriculture and services began in Jan. 2000 as part of the built-in agenda mandated by the URAA.

sive proposal to be submitted. We set the debate, if you will. Although other countries or groups, like the Cairns Group and the European Union, have since submitted proposals on specific issues, we put down the marker and defined the parameters.

AgExporter: When might negotiations be completed?

Sheikh: Negotiations started in earnest this year. We hope they will be completed by 2003. The reasons are twofold. Countries are not introducing new concepts into the WTO framework, only elaborating on those already in place. Also the final reduc-

tion commitments that WTO developed-country members agreed to in the Uruguay Round will have been reached by 2001. Developing-country members will reach their final reduction commitment levels by 2004. ■

The author is a public affairs specialist with the FAS Information Division in Washington, D.C. Tel.: (202) 720-9442; Fax: (202) 720-1727; E-Mail: habenstreit@fas.usda.gov



OS42019

Special and differential treatment. A principle allowing developing countries to have lesser reduction commitments than developed countries. In the Uruguay Round, disciplines applying to developing and least-developed countries were less stringent than those applying to developed countries.

State-trading. The practice of conducting trade exclusively through a government agency. Centrally planned economy countries follow this practice for all products, while many other nations, particularly developing countries, use state trading for commodities of critical economic importance, like grains.

Tariff. A tax imposed on imports by a government. A tariff may be either a fixed charge per unit of product imported (specific tariff) or a fixed percentage of value (*ad valorem* tariff).

Tariff-rate quota (TRQ). Application of a higher tariff rate to imported goods after a certain quantitative limit (quota) has been reached. A lower tariff rate applies to any imports below the quota amount.

Uruguay Round. The eighth round of negotiations under the General Agreement on Tariffs and Trade (GATT). The Uruguay Round began in 1986 in Punta del Este, Uruguay (for which the round was named), and ended in 1995 with the official signing of the agreement in Marrakech, Morocco.

World Trade Organization (WTO). Established on Jan. 1, 1995, as a result of the Uruguay

Round, the WTO replaced the GATT as the legal and institutional foundation of the multilateral trading system of member countries. It sets forth the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. And it is the platform on which trade relations among countries evolve through collective debate, negotiation and adjudication.



OS02059